

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING -- DIVISION OF FINANCIAL ASSISTANCE
SEPTEMBER 6, 2006**

ITEM 8

SUBJECT

CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY (DISTRICTS) NITRIFICATION/DE-NITRIFICATION (NDN) FACILITIES PROJECTS (PROJECTS); SRF LOAN PROJECT NOS. C-06-4701-110, -210, -310, -410, AND -510

DISCUSSION

In accordance with the State Water Resources Control Board's (State Water Board) *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities (Policy)*, adopted on February 16, 1995, and amended on June 18, 1998, projects on the adopted priority list need State Water Board approval to receive a SRF loan. A SRF loan commitment can be approved by the State Water Board after the Division of Financial Assistance (Division) has issued the Facilities Plan Approval (FPA). On January 29, 2002, the Division issued an FPA for the Districts' NDN Projects. The Districts agreed in writing on February 11, 2002, with the Division's FPA approval. The State Water Board, on June 7, 2006, adopted the State Fiscal Year 2006/2007 SRF Loan Program Priority List (SRF Priority List), which included the Districts' Projects.

In 2002, the State Water Board approved a \$22.5 million SRF loan commitment, State Water Board Resolution No. 2002-0058, for the Districts' NDN Projects. In 2004, at the Districts request, the Division Chief withdrew the commitment so that the funds could be committed to the Districts' Project No. 4783, Rosamond Outfall and Trunk "F" Sewers Project. This was done with the understanding that funds would be recommitted to the NDN Projects once new SRF loan funds were available.

The Districts' service area is located in southern and eastern Los Angeles County. The Districts' Joint Outfall System (JOS) Nitrification/De-Nitrification Facilities are being constructed at five of the Districts' Water Reclamation Plants. The Pomona Water Reclamation Plant (PWRP), Los Coyotes Water Reclamation Plant (LCWRP), Long Beach Water Reclamation Plant (LBWRP), San Jose Water Reclamation Plant (SJWRP), and Whittier Narrows Water Reclamation Plant (WNWRP) facilities are rated and permitted for a combined treatment capacity of 190.5 million gallons per day. These plants discharge tertiary treated effluent to inland waterways and spreading grounds for groundwater recharge and other direct reuses including irrigation.

The Waste Discharge Requirements (WDRs) include a requirement that all of the WRPs meet total inorganic nitrogen (TIN), trihalomethanes (THMs) and ammonia disinfection limits. All of the Districts' WRPs currently meet disinfection requirements. However, none of the WRPs consistently comply with the ammonia, TIN, THMs and disinfection requirements simultaneously. The proposed NDN facilities will provide for the removal of TIN, THMs and ammonia, assisting the Districts to meet the existing limits in the WDRs.

The proposed Projects will include the construction of NDN facilities at the Districts' five WRPs. The NDN facilities completed construction at PWRP on March 31, 2004, and SJCWRP on March 31, 2005. The estimated construction completion dates for LBWRP, LCWRP and WNWRP are November 30, 2007, March 31, 2008, and August 30, 2008, respectively. The Projects' facilities include the modification of existing aeration basins incorporating either the Modified Ludzack-Ettinger or Step-Feed NDN processes. The facilities at the five Projects' sites requiring modifications of existing or new equipment include reactor baffles, anoxic zone mixers, mixed liquor recirculation systems, aeration

systems, return activated sludge pumping systems, effluent filter backwash recovery systems, and ammonia addition systems to reduce THMs formation. Due to capacity limitations at the WNWRP, a secondary clarifier will be added to the treatment system. The proposed facilities will provide for the removal of TIN and ammonia, allowing the Districts to meet the TIN and ammonia limits of existing WDR permits. However, by removing the ammonia in the wastewater to meet permit limits, the Districts are faced with the potential formation of THMs, a known carcinogen that forms during the chlorination disinfection process in the absence of ammonia. To achieve both removal of ammonia and reduction of THM formation, the Districts will add a small amount of ammonia to the wastewater prior to disinfection.

The Districts have provided the Division with a schedule containing project milestones. These dates are included in the Division's FPA letter.

Division Approvals-to-Award (ATA) and construction contracts have been issued for four of the five Projects' facilities. The five NDN Water Reclamation Plant (WRP) facilities construction, equipment purchase cost, and ATA dates for the Districts' Projects are as follows:

PWRP - \$5.1 million, ATA issued October 7, 2002;
LCWRP - \$16.6 million, ATA issued September 26, 2005;
LBWRP - \$6.5 million, ATA issued January 20, 2006;
SJCWRP - \$10.8 million, ATA issued October 21, 2002; and
WNWRP - \$5.5 million estimated facilities construction cost.
Grand Total for all NDN facilities Projects - \$44.5 million

Based on the ATA for ten of the 12 contracts and construction cost estimates for the two remaining projects, the construction cost of the Districts' Projects is \$48 million. The total eligible project cost, including engineering and administration allowances, is estimated to be \$44.5 million. The Districts request SRF loans of \$44.5 million for the NDN Projects with repayment periods of 20 years, and the first repayments due one year after completion of construction for each of the NDN Projects.

The Districts prepared an Initial Study/Mitigated Negative Declaration (IS/MND) for the proposed Projects in October 2001, and distributed it to the public and circulated through the State Clearinghouse (SCH# 2001101120) for review from October 22, 2001, through November 20, 2001. During the review period the Districts received two comment letters from the California Department of Fish and Game and the California Department of Transportation. The Districts provided adequate responses to the comments. The Board of Directors for the Districts approved the Projects and adopted the MND on December 12, 2001. A Notice of Determination was filed with the Los Angeles County Clerk on December 18, 2001.

On November 27, 2001, Division staff distributed the Mitigated Negative Declaration to the following federally designated agencies: U.S. Environmental Protection Agency (USEPA); Army Corps of Engineers; U.S. Fish and Wildlife Service; U.S. Department of Agriculture; the Federal Emergency Management Agency; and the USDA Natural Resources Conservation Service. The federal review period expired on January 2, 2002. There were no comments or concerns from federal cross-cutting agencies. On February 19, 2002, the State Historic Preservation Officer concurred with the Division's finding that no historic properties will be affected by the project. There are no special conditions.

Conformance with population projections of the State Implementation Plan was reviewed and the Division concluded that the proposed project will not violate any applicable air quality standards, and increased pollutant concentrations will not occur as a result of implementing the project. The USEPA did not find the project to be in non-conformance with requirements under federal air quality regulations. The Districts adopted a IS/MND (State Clearinghouse No. 2001101120) for the proposed project which has been reviewed and considered, and it has been determined that the project will not result in any significant water quality impacts.

POLICY ISSUE

Should the State Water Board approve a SRF preliminary loan commitment for the proposed Projects, including a 20-year repayment period, with the first repayment due one year after completion of construction?

FISCAL IMPACT

(as of 7/20/06)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$535,391,979	\$160,328,393	\$79,423,990	\$120,462,253	\$242,286,747	\$398,448,999
Estimated Repayments	\$176,527,973	\$177,416,185	\$187,416,185	\$197,416,185	\$207,416,185	\$217,416,185
Debt Service on Revenue Bonds	(\$33,439,354)	(\$33,357,579)	(\$31,893,104)	(\$31,758,441)	(\$31,456,429)	(\$30,228,204)
Estimated Capitalization Grants	\$44,528,521	\$0	\$0	\$0	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$0	\$0	\$0	\$0	\$0
Local Match Credits	\$30,884,632	\$7,075,635	\$4,610,358	\$4,166,750	\$4,166,750	\$4,166,750
Est. SMIF Interest:	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<u>Estimated Disbursements</u>	(\$533,443,015)	(\$193,384,730)	(\$102,024,727)	(\$50,000,000)	(\$25,964,254)	(\$25,000,000)
Subtotal	\$221,844,058	\$120,077,905	\$139,532,702	\$242,286,747	\$398,448,999	\$566,803,730
LACSD, Proj. Nos. 4701-110 through 4701-520	(\$28,600,665)	(\$13,636,915)	(\$2,252,449)			
Sonoma Valley CSD, Proj. No. 4823-110	(\$3,680,000)	(\$3,000,000)				
Redding, City of, Proj. No. 4971-110	(\$3,700,000)	(\$400,000)				
Santa Margarita Water District, Proj. No. 4825-210	(\$1,535,000)	(\$3,617,000)	(\$1,018,000)			
Reserve for Small Community Wastewater Grant Projects	(\$24,000,000)	(\$20,000,000)	(\$15,800,000)			
Balance	\$160,328,393	\$79,423,990	\$120,462,253	\$242,286,747	\$398,448,999	\$566,803,730

Notes:

- Estimated Repayments include repayments from existing loans.
- Local match credits consist of G. O. Bond funds used as state match with previous Capitalization Grants but not disbursed due to previous local agency expenditures for local match loans funded with federal funds from those previous Capitalization Grants.
- Estimated disbursements include disbursements remaining on existing loans as well as disbursements anticipated on loans executed for projects with existing commitments. The Division revises the estimated disbursements total monthly as cash draw forecasts are updated.

REGIONAL WATER BOARD IMPACT

The Los Angeles Regional Water Quality Control Board (Los Angeles Water Board) has prescribed WDRs for the LBWRP, LCWRP, PWRP, SJCWRP, and WNWRP. The proposed Projects will ensure compliance with the WDRs of Los Angeles Water Board Order Nos. R4-2002-0123, R4-2002-0121, R4-2002-0099, R4-2004-0097, and R4-2002-0142, respectively.

STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF preliminary loan commitment of \$44.5 million for the Districts' Projects with repayment periods of 20 years, and with the first repayments due one year after completion of construction.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2006-**

**APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY (DISTRICTS)
NITRIFICATION/DE-NITRIFICATION (NDN) FACILITIES PROJECTS (PROJECTS);
SRF LOAN PROJECT NOS. C-06-4701-110, -210, -310, -410, AND -510**

WHEREAS:

1. The State Water Resources Control Board (State Water Board), on February 16, 1995, adopted the "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*," and amended it on June 18, 1998;
2. The State Water Board, on June 7, 2006, adopted the State Fiscal Year 2006/2007 SRF Loan Program Priority List which included the Districts' Joint Outfall System Nitrification/De-Nitrification Facilities Projects to be constructed at five of the Districts' Water Reclamation Plants in the fundable Priority Category B;
3. The Assistant Division Chief approved the Facility Plan for the Districts' Projects on January 29, 2002, and the Districts agreed with the Facility Plan Approval on February 11, 2002; and
4. The Districts adopted a Mitigated Negative Declaration (State Clearinghouse No. 2001101120) for the proposed Projects which has been reviewed and considered, and it has been determined that the Projects will not result in any significant water quality impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF preliminary loan commitment of \$44.5 million for the Districts' Joint Outfall System Nitrification/De-Nitrification Facilities Projects, with repayment periods of 20 years, and the first repayments due one year after completion of construction for each of the Projects; and
2. Directs the Division to allocate \$44.5 million consistent with the construction schedule and availability of funds.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on September 6, 2006.

Song Her
Clerk to the Board